XVII.—RESOLUTION ABOUT THE CENTRAL LAND MORTGAGE BANK.

* The hon. Mr. P. T. RAJAN :—" Sir, with your permission, I beg to move the following resolution standing in my name :—

> '*That this Council recommends to Government that interest not exceeding 6 per cent per annum may be guaranteed from Provincial revenues on debentures to the extent of Rs. 50 lakhs to be issued by the Central Land Mortgage Bank during the first five years until they are paid off or redeemed by the bank.*'

" This resolution is an amendment to the one moved in October 1929 by the hon. Mr. Seturatnam Ayyar and adopted by this honourable House. The motion that was then approved by the House ran thus :—

> '*That this Council recommends to the Government that interest not exceeding 6 per cent per annum may be guaranteed out of Provincial revenues for a period of 25 years on debentures to the extent of 50 lakhs to be issued by the proposed Central Land Mortgage Bank in the first five years.*'

" In this resolution it was proposed to guarantee interest only for a period of 25 years; but in the present motion which I have moved it is proposed that the interest should be guaranteed to the extent that the debentures can either be redeemed or paid in full.

" Mr. President, the President of the Central Land Mortgage Bank in March 1930 represented that the working of the bank will depend to a great extent on its ability to float debentures and that it would be a great advantage if a trust fund could be started to be invested in the 4 p.m.
debentures of the bank. It was stated that the debentures were very safe securities for the following reasons :—

Firstly, they were backed by the first mortgage of immovable property;

secondly, there was trustee for safeguarding the interest of debenture-holders; and

thirdly, the interest was guaranteed by the Government.

It was also mentioned that the intending investors asked whether the Imperial Bank could lend money on the security of debentures and that unless they were declared trustee securities the bank would not lend money on the debentures. It is also of importance that every effort should be made to attract to the bank large funds at the disposal of the Insurance companies and this will only be achieved if the debentures are recognized as trustee securities.

" The Madras Committee on Co-operation also recommended that debentures of the bank should be made trustee investments as in Bombay and the Royal Commission on Agriculture were also in favour of this proposal. The High Court was therefore addressed to frame rules to include debentures in the list of authorized securities, but they

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were not inclined to do so, but suggested that it would be more appropriate if an Act were passed by the Legislature authorizing such investments by suitably amending section 20 of the Trust Act. The Government of India were addressed by the local Government for this purpose and they said that the condition precedent for making debentures as trustee securities was that the interest on the debentures should be guaranteed until the capital was paid off or redeemed. Agreeably to their wishes, the Government propose to guarantee interest until they are paid off or redeemed by the bank. I therefore commend this resolution for the acceptance of the House."

The hon. Diwan Bahadur B. MUNISWAMI NAYUDU :—" I second it."

* Mr. M. A. MUTHIAH CHETTIYAR :—" The Central Land Mortgage Bank was started to finance the primary land mortgage banks throughout the Presidency. The primary land mortgage banks have found it difficult to attract capital from local areas. The Central Land Mortgage Bank can do its work efficiently only if it has sufficient funds. Up to now the bank has not been able to get subscribers for its debentures because the interest on these debentures is not guaranteed by the Government. The Government of India have not declared these debentures as trustee securities. It is only right that the local Government should come forward to give the guarantee asked for. It would have been much better if the hon. the Minister had brought forward a proposal to guarantee the principal and interest of these debentures. But the hon. the Minister fearing that Government may not undertake such a guarantee, has brought forward this modest proposal. As the present money market conditions stand, investors will not be tempted to invest their moneys in debentures which are not guaranteed when they can find better investments. These debentures will not become negotiable, even if this resolution is passed inasmuch as the amount of debenturing is not guaranteed. It would go some way to attract subscribers if the interest at least is guaranteed. Even then these debentures may not attract bankers because they may like their money to be kept in a fluid form, but they may attract some investors who would like to have at least 6 per cent interest guaranteed. The Central Land Mortgage Bank is the heart of the co-operative movement and by helping such a bank by guaranteeing interest on its debentures, we will help the primary banks throughout the Presidency to carry on their work efficiently. I think the proposal is modest and is in the right direction and I trust it will commend itself to the hon. Members of this House."

The resolution was put and carried.

XVIII.—A BILL FOR THE CONTROL OF TRAFFIC IN GOVERNMENT ROADS.

* The hon. Mr. P. T. RAJAN :—" Mr. President, Sir, with your permission, I beg to introduce a [a] Bill (Bill No. 11 of 1930) for the control

[a] Published in the *Fort St. George Gazette*, dated 4th November 1930, as Bill No. 11 of 1930.